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United States Bankruptcy Court
San Jose, California

Benyam and Paula R. Mulugeta
1025 Harker Ave.
Palo Alto, Ca. 94301
Tel: 650-906-8012
Email bmulugeta1020@gamial.com

Debtors in Possession

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA

In Re;

Benyam and Paula R. Mulugeta

Debtors

Case No. 09-51900 ASW
CHAPTER 11

Date: October 22, 2010
Time: 2p,m
Room: 3020

Judge: The Honorable A. Weissbrodt

STATUS CONFERENCE STATEMENT

Debtors, Benyam and Paula R. Mulugeta (jointly "Debtors") submit this Status Conference Statement.

I. Summary Background Regarding Debtors.

Debtors' main line of business and holdings is real estate. Debtors have been in the real estate business for over 25 years and Benyam Mulugeta, Debtor, has been a real estate broker and licensed in the State of California for over 25 years. Debtors are the owners of eight residential and commercial properties generally described as follows:

1. **1025 Harker Ave. Palo Alto, Ca.** Debtors' residence. Debtors in an effort to restructure their financial affairs and cut back on their expenses are moving into the in-law unit of their house in order to rent the main house for \$6,500. Debtors are finishing remodeling the main house, and the tenants will be moving on the 1st of November, 2010. Debtors are planning to start paying the 1st lien holders \$4,000.00 per month starting November 10, 2010 as part of adequate protection, and will be trying to modify the loan. The fourth lien holder, Sequoia Mortgage, had filed Notice of Default on October 6, 2010 for the amount of \$247,520.96, which is double in a year time even, though the principal is \$110,000. Debtors are planning to file adversary proceedings in this Court and Complaint in the State Court to challenge this outrageous lending practice.
2. **1339 Sevier Ave. Menlo Park, Ca.** A single family residence is used as a rental property. Debtors are in the process of employing Coldwell Banker to sell the property. In the very near future Debtors will submit an application to the court to employ Coldwell Banker to help them sell the property. Debtors have received a market analysis of the property which determined the value of the property. They will submit this analysis to EMC Mortgage for short sale. According to the Coldwell Banker analysis, the property is worth less than the loan amount and is underwater. However, Debtors just finished remodeling the property after five months of vacancies the property will be renting for \$2,500.00 starting November 1, 2010.

- 1 3. **240 E.O'Keefe East Palo Alto, Ca.** A 21 Unit apartment building located in East Palo
2 Alto currently has three vacancies. **Debtors have been making post-petition payments**
3 **in the amount of \$9,817.70 per month to Sterling Saving Bank, 1st lien holder.** As the
4 result of the court order, on April 2, 2010 Debtors listed the property for sale with Mrs.
5 Mahnaz Khazen of Coldwell Banker Commercial for **\$2,500,000.00.**
6 Recently Debtors received two offers close the asking price, currently the offers are in
7 counter in term of price and terms. Debtors believe near future they will have a ratified
8 contract on the property.
- 9 4. **353 Grand Ave. Oakland, Ca.,** A 3 story, 21 unit apartment building with 4 commercial
10 units on the street level. **Debtors have been making post-petition payments to the**
11 **lender, Sterling Saving Bank in the amount \$10,505.20 per month.** As a result of
12 major repair and renovation, the property is currently stabilized. Of the 21 units there are
13 only four vacancies as of today. As a result of the court order on April 2, 2010, Debtors
14 listed the property with Mr. David Wolf of Marcus & Millicap for **\$2,750,000.** However;
15 Debtors will soon submit an application of employment to replace Mr. David Wolf of
16 Marcus & Millicap with Mr. Rodney Thompson of TRI Commercial. Debtors believe
17 that replacing David Wolf of Marcus & Millicap with Mr. Rodney Thompson of TRI
18 Commercial will be for the best interest of the estate and creditors.
19 The listing agent, Mr. Rodney Thompson, had received a letter of interest form one of
20 prospective buyer. The agent think near future the buyer will put a formal offer close to
21 \$2,500,000.00.
- 22 5. **2332 Harrison, Oakland, Ca., "Harrison"** A 5 story, 156 rooms' hotel, located near
23 Lake Merritt. Debtors are currently working with a buyer, Trading Spaces, which
24 **offered \$7,000,000.00 "As Is".** The buyer has done inspection, appraisal, and put over
25 **\$470,000.00** towards a bond to obtain the loan. The loan for the Trading Spaces LLC has
26 been released by Argent Asset Management Inc...The title company, Placer Title has
27 been preparing the final escrow papers for the parties to sign and ready for close. Debtors
28 believe the escrow will be closed on or before October 30, 2010. In addition, Debtors
has been paying \$22,000.00 to Lone Oak Fund as part of Adequate Protection agreement
they entered with the creditor, Lone Oak Fund. On April 11, 2010 Debtors also entered
in to short term lease agreement with Tyme 4 Independent Living Inc for \$22,000 for
every 21 days to rent only 60 rooms of the "Harrison" property. Tyme 4 Independent
Living Inc. will not remain at the property for long since they did not obtain conditional
use permit from the City of Oakland.
6. **1112 and 1114 Chaucer, Berkeley, Ca.** (duplex) located in Berkeley. As the result of
the court order on March 9, 2010, Debtors have paid \$5,400 by March 31, 2010 and have
been making \$1,800 per month to EMC Mortgage Corporation.
7. **5401 Brann, Oakland, Ca.** A single family home used as rental. Since the current
tenant has lost his job, he is unable to make the monthly rent on time and full. Debtors
are talking with Coldwell Banker to list and sell the property. Debtors will submit to the
court an application to employ Coldwell Banker once Coldwell Banker provides them
with a listing agreement and marketing package.
8. **1111 Alama St. Palo Alto, Ca.** A single family residence, which Debtors bought with a
lease option. The property has been vacant for over a year and needs renovation, but
Debtors do not have the money to fix it up. Debtors are planning to list the property for
short sale with Coldwell Banker of Palo Alto. Debtors will submit application to

employee Coldwell Banker, once Coldwell Banker comes with price and marketing package.

II. Plan

Debtors will submit a motion asking the Court to grant them to file a plan of reorganization, the reason for the delay for submitting a plan of reorganization Debtors was waiting the sell of "Harrison" which they believe will happen soon.


III. Recommendation

Debtors have **stabilized** their properties and averted the estate from **collapsing**, and are moving forward towards a **resolution of the case**. Debtors filed bankruptcy in order to get protection and be able to restructure their financial affairs. Debtors believe they are in the process of achieving that goal. Debtors' main asset "**Harrison**" will close soon based on the current activities. In addition, Debtors' have been **paying \$22,000.00 per month** to Lone Oak Fund as part of "**Adequate Protection**". Debtors **have stabilized** their other major asset, "**353 Grand Ave.**" after over six months of vacancy and major renovation to the property. Debtors are also listing "353 Grand Ave." for sale, **for \$2,750,000**. Debtors have been paying the post petition payment for "353 Grand Ave" to Sterling Saving Bank. Debtors other property "**240 E. O'Keefe**" has been listed for sale with Coldwell Banker Commercial **for \$2,500,000**. Debtors have also been paying the post petition payment to Sterling Saving Bank for "240 E. O'Keefe". In addition, Debtors are in process preparing and fixing to listing for sale with Coldwell Banker their other properties: **Sevier, Alma and Brann**.

Further, Debtors are reducing their lifestyle in order to overcome their financial difficulties. Debtors are in process of renting their main house and moving into their in-law unit. Debtors have surrendered their 2007 Chrysler 300 to the lender to reduce expenses.

Debtors recommend the court to continue the Status Conference for 60-90 days at which time Debtors should have resolution on "**Harrison**" property their main asset and their other properties, namely **240 E. O'Keefe and 353 Grand Ave.** both properties have showing encouraging activities from prospective buyers, and Debtors believe near future they will receive acceptable offers for both O'Keefe and Grand; and either move to dismiss their Chapter 11 case or submit a formal reorganization plan.

Dated: October 18, 2010


Benyam Mulugeta
Debtor

COURT SERVICE LIST
CASE NO.: 09-51900 ASW

U.S. TRUSTEE

United States Trustee
U.S. Federal Building
280 S. 1st Street, #268
San Jose, CA 95113-3004

CASPER J. RANKIN (CA SBN 249196)
TRAVIS J. LILLIE (CA SBN 267339)
JOSEPH C. DELMOTTE (CA SBN 259460)
PITE DUNCAN LLP
4375 Jutland Drive, Suite 200
P.O. Box 17933
San Diego, CA 92177-0933
Telephone: (858) 750-7600

SEQUOIA MORTGAGE CAPITAL
Jason H. Freskos
1114 Irwin Street
San Rafael, CA 94901

SEQUOIA MORTGAGE CAPITAL
c/o Patric J. Kelly, Esq.
ADLESON, HESS & KELLY, APC
577 Salmar Avenue, Second Floor
Campbell, CA 95008

Lone Oak Fund, LLC
WOLF, RIFKIN, SHAPIRO, SCHULMAN & RABKIN, LLP
11400 West Olympic Boulevard, Ninth Floor
Los Angeles, California 90064

Washington Mutual
P.O. Box 78065
Phoenix, AZ 85062-8065

Richard J. Bauer, Jr. Esq.
Miles, Bauer, Bergstrom & Winters, LLP
1665 Scenic Avenue, Suite 200
Costa Mesa, CA 92626

1 **EMC Mortgage Corporation**
2 **Bankruptcy Dept. P.O. Box 293150**
3 **Lewisville, TX 75029**

4 Bank of America
5 POB 14726
6 Wilmington, DE 19886

7 **WASHINGTON MUTUAL BANK**
8 **c/o Melodie A. Whitson**
9 **Pite Duncan, LLP**
10 **4375 Jutland Drive, Suite 200**
11 **PO Box 17933**
12 **San Diego, CA 92177**

13 Robert Taylor
14 541B Cowper
15 Palo Alto, CA 94301

16 Tomoko Nakama
17 1569 Jackson St.
18 Oakland, CA 94612

19 Wells Fargo
20 c/o Managing or Servicing Agent
21 P.O. Box 54349
22 Los Angeles, CA 90054-0349

23 Sonoma Bank
24 PO Box 6089
25 Santa Rosa, CA 95406

26 **First Street Commercial Mortgage Fund, LLC**
27 **c/o Eric A. Nyberg**
28 **Kornfield, Nyberg, Bendes & Kuhner**
1999 Harrison St., Ste. 2675
Oakland, CA 94612

Aglaia Panos
13240 Clairepointe Way
Oakland, CA 94619